

To : Hamish Maxwell

cc. TG, WTM, GEK, JRH,
LR, CW, MJ (PM EEC)
R.W.Murray, F.H.Dulles
T.M.Kearns, L.Pollak
R.L.Snyder,
K.Haley (PMI)

11 7/10 Oct 82

FLASH FOR WEEK ENDING JANUARY 28, 1983

I. LEGAL

1. E.E.C.

The draft new agreement was given to the EEC at a meeting in Brussels on January 21. Present at the meeting were:-

- (i) For the EEC - Messrs. Ferry, Overbury and Faull
- (ii) For PM - Messrs. Holley, Siragusa and Walbroeck
- (iii) For Rembrandt - Messrs. Nicholson and Bellamy

The objectives of the draft agreement were explained by our lawyers.

Ferry's response was as follows :-

- a) Levels above him were involved and he would consult with them before making a response.
- b) Preference that no mention of the discussions be made to the FCO.
- c) At a future date, discussions will have to take place with the complainants regarding the proposed solution.

Nothing has been heard from the EEC since the meeting.

2. GERMANY

a) F.C.O.

Preparations continue in connection with the oral hearing. In principle it has been agreed to hire Professors Berg and Muller to prepare and present further economic opinion.

Due to the late filing of the Reemtsma and RJR briefs, our lawyers will approach Mrs Werner requesting a month's extension for filing our response and the hearing, which are respectively due on March 14 and April 25.

b) U.S.A

A meeting has been arranged with Mr. Kleinman and others in the State Department on January 31 to discuss the possibilities of U.S. government support for our case. David Morse and F.H. Dulles will attend the meeting.

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II. OPERATIONS

1. Cogetama

Tabacofina have announced that closure of the Cogetama factory will take place at the end of June 1983. The 143 remaining workers will be made redundant.

III. PLANNING

1. E.E.C.

- a) Tabacofina (Laurens) have come back with a lower manufacturing fee (DG 19/1,000) for Chesterfield in EEC duty free outlets and this is now acceptable. The quantity involved is approximately 10 million per annum.
- b) Agreement has been reached with Brinkmann for them to produce 6 million Eve annually for us for EEC duty free.

2. Brinkmann

- a) Brinkmann have requested again our permission to reduce delivery levels on Eve 120's as well as using "Lights" designation on the pack for the domestic market. This is being checked with German marketing management and, if agreeable, we hope to get necessary approvals by the end of February.
- b) Brinkmann have indicated that discussions are presently taking place with RJR for a joint distribution agreement and they advised that BAT appear now to be interested in getting involved.
- c) Regarding Chesterfield, EH and TG met with H. Giudice, G. Klarmann and W. Klatten in Zurich on January 25, 1983 to discuss our response to their proposals for the Chesterfield trademark. It was indicated that their proposal was not of interest to us and no alternative agreement was reached.
- d) As required by the license agreement, Brinkmann outlined at the above meeting their marketing plans for Chesterfield, which include a proposed change of pack.

3. Personnel changes at Carreras Rothmans

With the departure of Peter Gilpin at the end of last year, CR's International Marketing has been reorganized, as follows:

Middle East Director - Max Ployman
Africa Director - Ian Maitland
Asia/Europe/Duty Free Director - Vernon Wilson
New Business Developments - Jim Wood

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New business developments were previously handled by each regional director but have now been centralized. Vernon Wilson, who was Financial controller for the Middle East, has taken over Asia/Pacific from Jim Wood, and also covers Europe Duty Free, which is primarily the UK exports.

4. ASIA

A meeting was held in Aylesbury on January 17 with Jim Wood and Vernon Wilson of CR, and WIC, NJ and WTM. The status of Bangladesh, Sri Lanka and South Korea were reviewed briefly. Developments have occurred in the following areas :

a) Pakistan

The day following the meeting in Aylesbury, T. Roux phoned EH to inform that, at the December 8 RI Board Meeting, it was agreed to take up the 30% option in Lakson. This could have beneficial implications on our plans there. The price will be in the region of £ 1 mio subject to a Balance Sheet review.

b) India

Arrangements are well advanced for the simultaneous launch mid-April (in different areas) by NTC of Rothmans and by GPI of Peter Stuyvesant. It has been agreed to go KS rather than 94 mm, which makes it easier for GPI. Discussions are still continuing concerning the best structure of the deal from a financial viewpoint (maximising excise impact and remittances).

c) Indonesia

2/2 Campbell
WIC reported on his 14 January discussions in Lausanne with E. de Jaegere and PM's criteria in deciding whether to go with Faroka or Bentoel. JW said that his criteria for giving them Dunhill were the same as PM's.

d) Thailand

NJ reported on the status of PM's proposal to the TTM, which covers a small Burley growing project and the setting up of make-pack facilities to source both exports and the domestic markets. RI brands are included in the proposal. Early results are not envisaged and PM is still talking with the Ministries.

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5. Cyprus

Locally produced Marlboro, under license to the Rothmans associate, is selling at a level of 4 mio per month (versus 4 mio per annum when imported). It sells at 470 mils, compared to 310 mils for cheaper locally produced products, and has 30 - 40% of the high price category. The progress of this arrangement is satisfactory.

6. Nigeria

A meeting was held in Aylesbury on December 20 between I. Maitland (CR) and H.H. Schedel. Negotiations are still continuing on a possible license for the local production of "Rothmans" and "St. Moritz" by PMN but there is as yet no agreement on terms. CR now seem more interested in the domestic business, which may be due to a concern that transit will decline because exchange rate fluctuations mean that the local traders are currently making more money on locally produced brands.

IV. FINANCIAL

1. The following information was received from T. Roux concerning RI :

- a) November 1982 unit volume - same as November 1981
- b) 8 months ending November 1982 - 3.1% below last year
- c) Volume of 12 months moving average ending November 1982 - 4% down on prior period
- d) Net profit year-to-date to October 1982 - £ 40.3 mio
- e) Net profit year-to-date to October 1981 - £ 25.6 mio
- f) Estimated profit for year ending March 1983 - £ 61.0 mio

2. RTD Dividend

RTD dividend was paid on January 26, 1983 and PM's share remitted to New York on the same day. The amount was US\$ 682,185.

3. RI Financial Presentation

RI will make a presentation to financial analysts on February 3, 1983 at the Savoy Hotel in London.

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4. Conversion of Bonds

T. Roux advised that a further request for conversion of £ 1,000 bonds had been received.

To date, requests to convert £ 688,500 bonds have been received and this converts into 1,019,991 new shares. This is equivalent of 0.65% of RI equity. EH and TG will meet M.J. Mockridge and M. Gatenby (Hill Samuel) in London on January 31 to further discuss the implications of PM/Rembrandt converting bonds to maintain their equity level.

V. GENERAL

1. Australia

There has been no further developments in connection with the question raised in the Australian Parliament regarding PM's investment in RI. Parliament is at the moment in recess.

2. Share Price of	Jan.14, 83	Jan.21, 83
Rothmans International (£)	118p	125p
RI Convertible £/Bonds (DM)	3656	3617
Dunhill (£)	300p	300p
Carrolls (Irish £)	71p	71p
Tabacofina (BF)	2725	2700
Rothmans of Pall Mall Canada (Can.\$)		
- Common	43-1/2	44-1/2
- Preferred B	12-1/2	12-1/2
Carling O'Keefe (Can.\$)		
- Common	12-5/8	12-5/8
- Preferred A	21-1/2	21-1/2
Rothmans of Pall Mall Australia (Aus.\$)		
- Sydney	n.a.	n.a.
Rothmans Industries, N.Z. (N.Z.\$)	n.a.	n.a.
Rothmans of Pall Mall Malaysia (Sing.\$)	2.90	3.00
Rothmans Industries Ltd (Sing.\$)	1.72	1.75

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Regards.

E. Houmner